

RHODE ISLAND INDUSTRIAL-RECREATIONAL
BUILDING AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY

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JUNE 30, 2010 AND 2009**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rhode Island Industrial-Recreational Building Authority
Providence, Rhode Island

We have audited the accompanying basic financial statements of the Rhode Island Industrial-Recreational Building Authority (the Corporation), a component unit of the State of Rhode Island, as of June 30, 2010 and 2009, as listed in the table of contents. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of June 30, 2010 and 2009 the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States.

In accordance with Government Auditing Standards, we have also issued our report dated September 24, 2010, on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Corporation's basic financial statements. The Schedule of Uncommitted Mortgage Insurance Availability on page 14 and Schedules B and C on pages 15 and 16 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Uncommitted Mortgage Insurance Availability and Schedules B and C have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Brian, OC". The signature is written in a cursive, flowing style.

Providence, Rhode Island
September 24, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Rhode Island Industrial-Recreational Building Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority as of and for the years ended June 30, 2010 and 2009. This information should be read in conjunction with the Authority's financial statements.

Financial Highlights

- Total assets exceeded total liabilities by \$3,657,159 and \$3,630,714 (net assets) at June 30, 2010 and 2009, respectively. Net assets invested in capital assets total \$ 533,739 and unrestricted net assets available to be used to meet the Authority's operating requirements total \$ 3,123,420 at June 30, 2010.
- The Authority's total net assets increased by \$ 26,445 for the year ended June 30, 2010, as compared to an increase of \$ 670,806 for the year ended June 30, 2009. This is attributable to recovery of bad debt during 2009. - See Financial Statement Footnote 5.
- During 2010, Capco Steel received an insurance guarantee of \$5 million for expansion of its steel fabrication shop in Providence with increased employment. The loan is primarily for equipment. Total amount of loan is \$6 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements.

The Authority engages only in business-type activities, that is, activities that are financed in whole or in part by charges to external parties for services. As a result, the Authority's basic financial statements include the statement of net assets, the statement of revenues, expenses and changes in net assets, the statement of cash flows, and the notes to the financial statements. These basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in the Authority's net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Other non-financial factors might also need to be considered when evaluating the Authority's financial position. The statement of revenues, expenses and changes in net assets presents information on how the Authority's net assets changed during the year.

All assets and liabilities and changes in net assets are reported using the accrual basis of accounting for governmental entities. All assets and liabilities and changes in net assets are reported as soon as the underlying event giving rise to the asset or liability and resulting change in net assets occurs, regardless of the timing of when the cash is received or paid. Consequently, certain revenues and expenses reported in the statement of revenues, expenses, and changes in net assets will result in cash flows in future periods.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Authority

STATEMENT OF NET ASSETS

	2010	2009	% of Change	2009	2008	% of Change
Capital assets, net	\$ 533,739	\$ 520,347	2.6%	\$ 520,347	\$ 534,633	-2.7%
Current and other assets	3,967,962	3,951,388	0.4%	3,951,388	3,199,452	23.5%
Total assets	4,501,701	4,471,735	0.7%	4,471,735	3,734,085	19.8%
Long-term liabilities	768,941	778,569	-1.2%	778,569	688,500	13.1%
Other liabilities	75,601	62,452	21.1%	62,452	85,677	-27.1%
Total liabilities	844,542	841,021	0.4%	841,021	774,177	8.6%
Net assets						
Invested in capital assets	533,739	520,347	2.6%	520,347	534,633	-2.7%
Unrestricted	3,123,420	3,110,367	0.4%	3,110,367	2,425,275	28.2%
TOTAL NET ASSETS	3,657,159	3,630,714	0.7%	3,630,714	2,959,908	22.7%

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Operating revenues:						
Mortgage insurance premiums	91,894	95,853	-4.1%	95,853	181,576	-47.2%
Rental	75,000	75,000	0.0%	75,000	70,420	6.5%
Bad debt recovery	10,250	613,320	-98.3%	613,320	29,240	1997.5%
Total operating revenues	177,144	784,173	-77.4%	784,173	281,236	178.8%
Nonoperating revenues, interest income	12,524	40,692	-69.2%	40,692	76,481	-46.8%
Total nonoperating revenues	12,524	40,692	-69.2%	40,692	76,481	-46.8%
TOTAL REVENUES	189,668	824,865	-77.0%	824,865	357,717	130.6%
Operating expenses						
General and administrative	163,223	154,059	5.9%	154,059	156,905	-1.8%
Total operating expenses	163,223	154,059	5.9%	154,059	156,905	-1.8%
Nonoperating expense, interest expense	-	-	0.0%	-	-	0.0%
Total nonoperating expense	-	-	0.0%	-	-	0.0%
TOTAL EXPENSES	163,223	154,059	5.9%	154,059	156,905	-1.8%
Change in net assets	\$ 26,445	\$ 670,806	-96.1%	\$ 670,806	\$ 200,812	234.0%

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Analysis of the Authority (Continued)

Mortgage insurance premiums for the year ended June 30, 2010 decreased slightly from the prior year due to a decline in outstanding obligations. The decrease from the year ended June 30, 2008 to the year ended June 30, 2009 was due to \$115,000 prepayment penalty collected in 2008 with no prepayments in 2009. Premiums are received from private-sector entities based upon a percentage of the outstanding balance of each private-sector entity's insured obligation and, as such, decline as amounts outstanding under insured obligations are repaid by the private-sector entities and increase as new private-sector entities obtained insurance obligations from the Authority.

Bad Debt Recovery decreased from \$613,320 in 2009 to \$10,250 in 2010 due to a settlement received in 2009 – See Financial Statements – Footnote 5.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those interested in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Manager, Rhode Island Industrial-Recreational Building Authority, 315 Iron Horse Way Suite 101, Providence, Rhode Island 02908.

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY

**STATEMENTS OF NET ASSETS
JUNE 30, 2010 AND 2009**

ASSETS

	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 3,267,109	\$ 3,251,691
Mortgage insurance premiums receivable	4,412	3,628
Total current assets	<u>3,271,521</u>	<u>3,255,319</u>
Noncurrent assets:		
Due from Rhode Island Industrial Facilities Corporation	696,441	696,069
Capital assets, net of accumulated depreciation	533,739	520,347
Total noncurrent assets	<u>1,230,180</u>	<u>1,216,416</u>
TOTAL ASSETS	<u>4,501,701</u>	<u>4,471,735</u>

LIABILITIES AND NET ASSETS

Liabilities:

Current liabilities:		
Accounts payable	-	1,500
Deferred revenue	20,573	10,000
Due to Rhode Island Industrial Facilities Corporation	13,500	6,727
Due to Rhode Island Economic Development Corporation	41,528	44,225
Total current liabilities	<u>75,601</u>	<u>62,452</u>
Noncurrent liabilities:		
Deferred revenue	72,500	82,500
Escrow deposit, Rhode Island Economic Development Corporation	696,441	696,069
Total noncurrent liabilities	<u>768,941</u>	<u>778,569</u>
TOTAL LIABILITIES	<u>844,542</u>	<u>841,021</u>

Commitments and contingencies (note 6)

Net assets

Invested in capital assets	533,739	520,347
Unrestricted	<u>3,123,420</u>	<u>3,110,367</u>
TOTAL NET ASSETS	<u>\$ 3,657,159</u>	<u>\$ 3,630,714</u>

SEE ACCOMPANYING NOTES.

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
Operating revenues:		
Mortgage insurance premiums	\$ 91,894	\$ 95,853
Rental income	75,000	75,000
Recovery of bad debt	10,250	613,320
Total operating revenues	<u>177,144</u>	<u>784,173</u>
Operating expenses:		
Contractual services	28,064	33,627
Administrative	83,056	85,421
Insurance	11,023	20,725
Building maintenance and repairs	25,674	
Depreciation	15,406	14,286
Total operating expenses	<u>163,223</u>	<u>154,059</u>
Operating income	13,921	630,114
Nonoperating revenues (expenses):		
Interest income	12,524	40,692
Total non-operating revenues and expenses	<u>12,524</u>	<u>40,692</u>
Change in net assets	26,445	670,806
Total net assets beginning of year	<u>3,630,714</u>	<u>2,959,908</u>
Total net assets, end of the year	<u>\$ 3,657,159</u>	<u>\$ 3,630,714</u>

SEE ACCOMPANYING NOTES.

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY

**STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2010 AND 2009**

	<u>2010</u>	<u>2009</u>
<i>Cash flows from operating activities:</i>		
Cash received from mortgage insurance premiums	\$ 91,683	\$ 184,934
Other revenue	10,250	613,320
Rent payments received	75,000	75,000
Cash payments to suppliers for goods and services	(145,241)	(172,998)
<i>Net cash provided by operating activities</i>	<u>31,692</u>	<u>700,256</u>
<i>Cash flows from investing activities:</i>		
Interest on investments	12,524	40,692
<i>Net cash provided by investing activities</i>	<u>12,524</u>	<u>40,692</u>
<i>Cash flows from capital and related financing activities</i>		
Cash payments for capital assets	(28,798)	-
<i>Net cash used for capital and related financing activities</i>	<u>(28,798)</u>	<u>-</u>
<i>Increase in cash and cash equivalents</i>	15,418	740,948
<i>Cash and cash equivalents, beginning of the year</i>	<u>3,251,691</u>	<u>2,510,743</u>
<i>Cash and cash equivalents, end of the year</i>	<u>\$ 3,267,109</u>	<u>\$ 3,251,691</u>
<i>Reconciliation of operating income to net cash used in operating activities:</i>		
Operating income	\$ 13,921	\$ 630,114
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation	15,406	14,286
Changes in assets and liabilities:		
Mortgage insurance premiums receivable	(784)	(3,419)
Accounts payable	(1,500)	(16,349)
Deferred revenue	573	92,500
Due to Rhode Island Industrial Facilities Corporation	6,773	(61,101)
Due to Rhode Island Economic Development Corporation	(2,697)	44,225
Total adjustments	<u>17,771</u>	<u>70,142</u>
<i>Net cash provided by operating activities</i>	<u>\$ 31,692</u>	<u>\$ 700,256</u>

SEE ACCOMPANYING NOTES.

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Rhode Island Industrial-Recreational Building Authority (the Authority) was created by the Rhode Island General Assembly under Chapter 34 of Title 42 of the General Laws of Rhode Island. The Authority constitutes a body corporate and politic and a public instrumentality of the State of Rhode Island (the State) having a distinct legal existence from the State. It is a component unit of the State for financial reporting purposes. As such, the financial statements of the Authority will be included in the State's Comprehensive Annual Financial Report.

The Authority is authorized to insure contractual principal and interest payments required under first mortgages and first security agreements issued to private sector entities by financial institutions and the Rhode Island Industrial Facilities Corporation (RIIFC) a component unit of the State, on industrial and/or recreational projects in the State of Rhode Island up to a maximum of \$80,000,000 of outstanding principal balances under such insured mortgages and security agreements. Effective July 1, 2008, the General Assembly reduced the authorization to \$20,000,000. However, during the year ended June 30, 2010 the General Assembly restored authorization to \$60,000,000.

Income Taxes

The Authority is exempt from federal and state income taxes.

Basis of Accounting

The Authority engages only in business-type activities. Business-type activities are activities that are financed in whole or in part by fees charged to external users.

The Authority uses the economic resources measurement focus and accrual basis of accounting. The Authority applies all pronouncements of the Governmental Accounting Standards Board (GASB), as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements. In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting," the Authority has elected not to apply all FASB pronouncements issued after November 30, 1989.

The Authority distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Operating expenses include the cost of and losses resulting from services provided, administrative expenses, and depreciation expenses. All other operating revenues and expenses are reported as non-operating revenues and expenses.

Capital Assets

Capital assets consist of property under operating lease stated at cost. Depreciation is provided over an estimated useful life of 15-40 years on the straight-line basis. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreclosed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by managements and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net expenses from foreclosed assets.

Losses on Mortgage Insurance Agreements

Losses on mortgage insurance agreements are recognized when the amount of loss is determinable and occurrence is probable.

Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. On June 30, 2010 and 2009, cash equivalents totaled \$3,267,109 and \$3,251,691 respectively.

Revenue Recognition and Concentration

Mortgage insurance premiums are based on a percentage of the principal amount outstanding under mortgages insured by the Authority determined at specified measurement dates and are recognized when earned. In certain instances, mortgage insurance premiums are paid in advance and such fees are reported as deferred revenue and recognized as revenue when earned. Rental revenue is recognized based on the terms of the lease contract. Other revenue is recognized when received.

Mortgage insurance premiums from three entities for the years ended June 30, 2010 and 2009 represent 74% and 75% of the Authority's mortgage insurance premiums, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of losses on mortgage insurance agreements and valuation of equity investments in private-sector entities.

Reclassification

Certain accounts from 2009 have been reclassified to conform with the 2010 presentation.

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RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

2. CASH AND CASH EQUIVALENTS

The Authority has adopted the provisions of GASB Statement No. 40, "Deposit and Investment Risk Disclosures".

The Authority assumes levels of custodial credit risk for its cash and cash equivalents. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be recovered. The Authority is authorized to invest excess funds, by provisions of its Act, in obligations of the State and of the United States Government or certain agencies thereof, and in certificates of deposit. The Authority also is authorized to enter into repurchase agreements.

In accordance with State of Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State, are required, at a minimum, to insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators are required to insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. The Authority does not have a separate deposit policy for custodial credit risk.

The Authority has unrestricted cash and cash equivalents which are held by the General Treasurer of the State as follows:

	<u>2010</u>	<u>2009</u>
Cash.....	\$ 127,300 (1)	\$ 124,406 (1)
Repurchase agreement	3,139,809 (1)	3,127,285 (1)
Total.....	<u>\$3,267,109</u>	<u>\$3,251,691</u>

(1) Collateralized with securities that are not in the Authority's name.

The Rhode Island General Treasurer's Office implemented a collateralization policy requiring 100% collateralization of all bank balances held in custody of the General Treasurer.

The amount of federal depository insurance on cash and cash equivalents held by the General Treasurer of the State is determined on a State-wide basis.

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RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

3. CAPITAL ASSETS

The Authority acquired property through foreclosure which it leases on a month to month basis to an unrelated party.

At June 30, 2010 and 2009, capital assets consist of the following:

	<u>2010</u>	<u>2009</u>
Land	\$181,301	\$181,301
Building and building improvements	<u>600,237</u>	<u>571,439</u>
Total	781,538	752,740
Less: accumulated depreciation, building and building improvements	<u>247,799</u>	<u>232,393</u>
Capital assets, net.....	<u>\$533,739</u>	<u>\$520,347</u>

During the years ended June 30, 2010 and 2009, depreciation expense was \$15,406 and \$14,286, respectively.

The Board of Directors has approved a sale of the property including land, building and improvements to the current tenant for \$680,000.

4. DUE FROM RIIFC AND ESCROW DEPOSIT

In conjunction with the insurance of a private-sector entity's first mortgage and security agreement, the Authority received from the private-sector entity escrow funds to cover certain principals and interest payments in the event of default by the private-sector entity. The private-sector entity relocated its facilities to another state, and under a Settlement Agreement dated March 3, 2000 by and between the private-sector entity, Authority, RIIFC, and the Rhode Island Economic Development Corporation (RIEDC), the Authority returned the escrow funds to the private-sector entity. Concurrently, RIEDC provided the Authority with an escrow equal to that previously funded by the private-sector entity to be held as an escrow deposit in the event of default by the private-sector entity. The escrow funds are held by RIIFC in a repurchase agreement in RIIFC's name on behalf of the Authority. For the years ended June 30, 2010 and 2009, the escrow deposit was \$696,441 and \$696,069, respectively.

5. EQUITY INVESTMENT IN PRIVATE-SECTOR ENTITY

During May 1995, the Authority received 300,000 shares of \$.01 par value Series E Convertible Preferred Stock (the Preferred Stock) in a private-sector entity, for whom the Authority insures first mortgage and security agreements, in lieu of payment of a demand note in the amount of \$470,674 owed by the entity to the Authority. The Preferred Stock may at any time, at the option of the Authority, be converted into common stock of the private-sector entity at an initial conversion rate of one share for one share, adjusted for as provided in the private-sector entity's certificate of incorporation, article four.

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RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010 AND 2009**

5. EQUITY INVESTMENT IN PRIVATE-SECTOR ENTITY (Continued)

During August 1999, the Authority received warrants (the Warrants) in the private-sector entity in lieu of payment of mortgage insurance premiums in the amount of \$134,256 owed by the entity to the Authority.

During December 2004, the private-section entity reduced its capital structure to only common stock eliminating the preferred shares and effected a reverse stock split whereby each 100 shares of stock was converted into one share.

The Common Stock and Warrants received had been recorded by the Authority in the accompanying financial statements at their fair value, which was estimated to be zero due to the private-sector entity's financial position.

During the year ended June 30, 2009 the Authority was notified that the value of the common stock and warrants was approximately \$600,000. These securities were later sold during the year then ended for \$613,320 and has been included in operating revenues under recovery of bad debt.

6. INSURED COMMITMENT PAYABLE AND LONG-TERM DEBT

At June 30, 2010 and 2009, the Authority has insured contractual principal and interest payments required under first mortgages and first security agreements principally for land and buildings of manufacturing and distribution entities located throughout Rhode Island. Principal balances outstanding under first mortgages and first security agreements insured by the Authority at June 30, 2010 and 2009 are \$18,143,189 and \$13,841,455 respectively.

At June 30, 2010, the Authority had no other outstanding commitments.

(CONCLUDED)

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY
SCHEDULES OF UNCOMMITTED MORTGAGE INSURANCE AVAILABILITY
YEARS ENDED JUNE 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
Aggregate maximum contractual principal and interest payments the Authority is authorized to insure	\$60,000,000**	\$20,000,000*
Principal balances outstanding under first mortgages and first security agreements at year-end	18,143,189	13,841,455
Commitments outstanding at year-end	0	0
Approved resolutions outstanding at year-end	0	0
Subtotal	<u>18,143,189</u>	<u>13,841,455</u>
TOTAL	<u>\$41,856,811</u>	<u>\$ 6,158,545</u>

The amounts presented above exclude interest accrued at year-end and contractual interest to become due in future periods under the bonds and notes.

*Effective July 1, 2008, the General Assembly reduced the authorization for bonds issued by the State of Rhode Island to pay off any losses of the Authority to \$20,000,000.

**Effective during the year ended June 30, 2010, the General Assembly restored the authorization for bonds issued by the State of Rhode Island to pay off any losses of the Authority to \$60,000,000.

SUPPLEMENTARY INFORMATION

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY

(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

STATEMENT OF NET ASSETS

JUNE 30, 2010

Assets

Current Assets:

Cash and cash equivalents \$ 3,267,109

Receivables 4,412

Total current assets 3,271,521

Noncurrent Assets:

Due from other component units 696,441

Capital assets - depreciable (net) 533,739

Total noncurrent assets 1,230,180

Total assets 4,501,701

Liabilities

Current liabilities:

Due to other component units 55,028

Deferred revenue 20,573

Total current liabilities 75,601

Noncurrent liabilities:

Deferred revenue 72,500

Other liabilities 696,441

Total noncurrent liabilities 768,941

Total liabilities 844,542

Net assets

Invested in capital assets, net of related debt 533,739

Unrestricted 3,123,420

Total net assets \$ 3,657,159

RHODE ISLAND INDUSTRIAL-RECREATIONAL BUILDING AUTHORITY

**(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2010**

Operating revenues:

Other operating income	\$ 177,144
Total operating revenues	<u>177,144</u>

Operating expenses:

Depreciation, depletion and amortization	15,406
Supplies, materials, and services	136,794
Other operating expenses	<u>11,023</u>
Total operating expenses	<u>163,223</u>
Operating income (loss)	<u>13,921</u>

Nonoperating revenues (expenses):

Interest revenue	<u>12,524</u>
Total nonoperating revenue (expenses)	<u>12,524</u>

Income (loss) before contributions 26,445

Change in net assets 26,445

Total net assets - beginning 3,630,714

Total net assets - ending \$ 3,657,159

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Rhode Island Industrial-Recreational Building Authority
Providence, Rhode Island

We have audited the financial statements of Rhode Island Industrial-Recreational Building Authority (the Authority), a component unit of the State of Rhode Island, as of and for the year ended June 30, 2010, and have issued our report thereon dated September 24, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors
Rhode Island Industrial-Recreational Building Authority
Providence, Rhode Island

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's Financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Board of Directors and management of Rhode Island Industrial-Recreational Building Authority, the Rhode Island Department of Administration, and the Rhode Island Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

Providence, Rhode Island
September 24, 2010

Braver, RC